

Severe Weather – Lessons Learned from 2017

2018 Ratemaking and Product Management Seminar

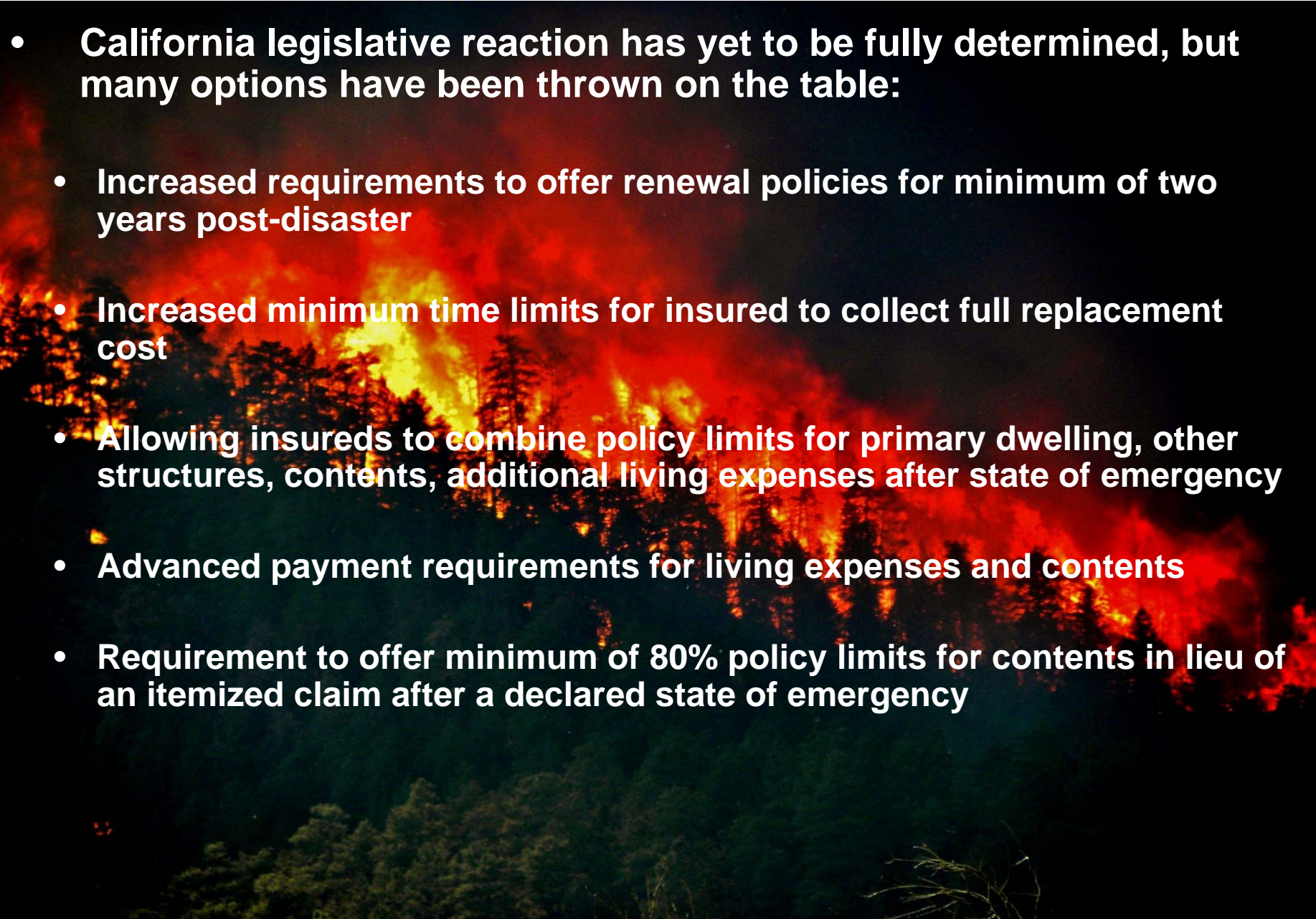
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2017 Hurricanes– Personal Lines Learnings

- **Auto exposure may be underappreciated**
 - Harvey and Irma damaged about 1 million vehicles
 - Vehicles destroyed by each storm surpassed those destroyed by both Katrina and Sandy
- **Auto effects may linger**
 - Industry may show increased loss pressure collision/comprehensive coverages as these exposures increase in the months following large cat events – additional pricing analysis may be needed
 - Title washing can exacerbate this issue – laws vary widely from state to state



2017 Wildfires – Personal Lines Learnings

- **California legislative reaction has yet to be fully determined, but many options have been thrown on the table:**
 - **Increased requirements to offer renewal policies for minimum of two years post-disaster**
 - **Increased minimum time limits for insured to collect full replacement cost**
 - **Allowing insureds to combine policy limits for primary dwelling, other structures, contents, additional living expenses after state of emergency**
 - **Advanced payment requirements for living expenses and contents**
 - **Requirement to offer minimum of 80% policy limits for contents in lieu of an itemized claim after a declared state of emergency**
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2017 Wildfires – Personal Lines Learnings

- **California legislative proposals, continued:**
 - **30-day grace period for premium payments following state of emergency**
 - **Further restrictions on cancellations/late fees for non-payment following state of emergency**
 - **Requirements for insurers to provide replacement cost estimates each year for homeowners policies**
 - **Requirements for insurers to provide full copy of policy, including endorsements, after covered fire loss**
 - **Requirements to provide full replacement cost regardless of insured's choice to rebuild in current location, rebuild in new location, or purchase new home**
 - **Requirements for insurers to participate in consolidated debris removal programs**
 - **Requirements for insurers to extend replacement cost coverage at a minimum of 50% coverage above policy limits**

2017 Catastrophes – Other Takeaways

- **Premium payment impacts may have extended consequences**
 - Premium payment status is commonly used as part of discount/rating structure
 - Impacts on premium trends should also be considered – need to be careful not to confuse one-time effects with expected ongoing trends
- **Catastrophe assessments**
 - In the wake of these types of events, states may levy emergency assessments against insurers
 - Insurers need to consider ability to pass assessments through to policyholders